
TP Aerospace PRO ApS

Stamholmen 165 R, DK-2650 Hvidovre

Annual Report for 1 January - 31 December 2017

CVR No 32 36 22 49

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
6/3 2018

Peter Jørgen Lyager
Chairman



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Management's Statement

The Executive Board has today considered and adopted the Annual Report of TP Aerospace PRO ApS for the financial year 1 January - 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

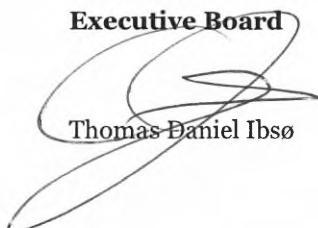
In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Company and of the results of the Company operations for 2017.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Hvidovre, 21 February 2018

Executive Board



Thomas Daniel Ibsø



Peter Jørgen Lyager

Independent Auditor's Report

To the Shareholder of TP Aerospace PRO ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of TP Aerospace PRO ApS for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

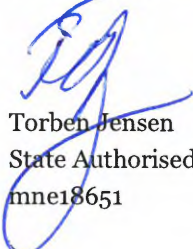
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 21 February 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31


Torben Jensen
State Authorised Public Accountant
mne18651


Thomas Baunkjær Andersen
State Authorised Public Accountant
mne35483

Company Information

The Company

TP Aerospace PRO ApS
Stamholmen 165 R
DK-2650 Hvidovre

CVR No: 32 36 22 49

Financial period: 1 January - 31 December

Incorporated: 10 August 2009

Financial year: 8th financial year

Municipality of reg. office: Hvidovre

Executive Board

Thomas Daniel Ibsø
Peter Jørgen Lyager

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Financial Highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2017 TUSD	2016 TUSD	2015 TUSD	2014 TUSD	2013 TUSD
Key figures					
Profit/loss					
Revenue	29.804	18.139	8.905	7.340	4.554
Gross profit/loss	3.037	4.388	1.543	1.048	1.282
Operating profit/loss	1.290	3.465	1.174	548	850
Profit/loss before financial income and expenses	1.290	3.465	1.174	548	548
Net financials	341	-370	-133	-85	-92
Net profit/loss for the year	1.244	2.404	786	353	545
Balance sheet					
Balance sheet total	39.285	30.264	9.450	5.100	5.162
Equity	5.066	3.822	1.873	1.227	872
Investment in property, plant and equipment	803	7.049	65	146	359
Number of employees	10	7	4	5	2
Ratios					
Gross margin	10,2%	24,2%	17,3%	14,3%	28,2%
Profit margin	4,3%	19,1%	13,2%	7,5%	12,0%
Return on equity	28,0%	84,4%	50,7%	33,6%	89,6%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Management's Review

Key activities

TP Aerospace is the leading aftermarket supplier of wheels and brakes, carrying the world's largest ready-to-go inventory in the market for most commercial, regional and commuter aircraft types.

From our locations in Copenhagen, Hamburg, Las Vegas, Orlando, Singapore, Dubai and Melbourne, we offer our services to airlines all over the world through our Trading and Program divisions, supported by our extensive in-house MRO capabilities.

Business model:



TP Aerospace PRO ApS' activities consists of the Groups Program and lease activities within the EU Region.

Development in the year

Revenue has increased from USD 18.1m in 2016 to USD 29.8m in 2017. The increase is primarily due to very strong growth in the number of customers and contracts during 2017.

EBITDA has decreased from USD 3.6m in 2016 to USD 1.6m in 2017.

Net result after tax for 2017 of USD 1.2m is a decrease of USD 1.2m.

Special risks - operating risks and financial risks

Business risks

TP Aerospace is Part 145, ISO 9001 and AS 9120 approved. To retain this certification level there is continuing focus on quality and risk management.

Financial exposure

Management does not consider that the company has any financial exposure of significance.

Management's Review

Targets and expectations for the year ahead

Management expects the positive development of the company to continue during 2018.

Research and development

To support the growth strategy of the company, TP Aerospace Group continues to develop its product platform, capacity, capability and global footprint. In 2017 the Group has opened a repair facility in Las Vegas.

External environment

TP Aerospace acknowledges its community responsibility. Operating in the aftermarket, re-use of parts is an integrated part of our strategy. For further information a reference are made to the TP Aerospace Groups COP, and can be found on http://tpaerospace.com/media/1180/2017_corporate-responsibility-report.pdf.

Intellectual capital resources

As a consequence of the continuing growth of the Company, the number of employees has increased during 2017.

All employees in TP Aerospace go through continuous training and evaluation to increase the Company's knowledge level.

Statement on gender composition

The TP Aerospace Groups COP report and diversity policy are described in the financial reporting for the group, and can be found on http://tpaerospace.com/media/1180/2017_corporate-responsibility-report.pdf.

Uncertainty relating to recognition and measurement

In the application of the Company's accounting policies, the Management of the Company is required to make accounting judgements, estimates and assumptions which form basis for the financial statements that are not readily apparent from other sources. Description of critical accounting judgement, estimates and assumptions are included in the section "Accounting policies".

Unusual events

No unusual matters have affected the Financial Statement for 2017.

Management's Review

Subsequent events

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income Statement 1 January - 31 December

	<u>Note</u>	<u>2017</u> TUSD	<u>2016</u> TUSD
Revenue		29.804	18.139
Cost of sales		-24.789	-12.247
Other external expenses		-1.978	-1.504
Gross profit/loss		3.037	4.388
Staff expenses	2	-1.447	-742
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	3	-300	-181
Profit/loss before financial income and expenses		1.290	3.465
Financial income	4	1.396	70
Financial expenses	5	-1.055	-440
Profit/loss before tax		1.631	3.095
Tax on profit/loss for the year	6	-387	-691
Net profit/loss for the year		1.244	2.404

Balance Sheet 31 December

Assets

	Note	2017 TUSD	2016 TUSD
Other fixtures and fittings, tools and equipment		7.048	7.037
Property, plant and equipment	7	7.048	7.037
Fixed assets		7.048	7.037
Inventories		17.464	15.173
Trade receivables		4.266	2.634
Receivables from group enterprises		8.604	4.191
Other receivables		237	35
Deferred tax asset	10	0	152
Prepayments	8	1.574	1.039
Receivables		14.681	8.051
Cash at bank and in hand		92	3
Currents assets		32.237	23.227
Assets		39.285	30.264

Balance Sheet 31 December

Liabilities and equity

	Note	2017 TUSD	2016 TUSD
Share capital		25	25
Retained earnings		5.041	3.797
Equity		5.066	3.822
Provision for deferred tax	10	157	0
Other provisions	11	618	618
Provisions		775	618
Bank loans		2.582	337
Prepayments received from customers		932	837
Trade payables		1.348	1.155
Payables to group enterprises		28.331	22.682
Corporation tax		78	668
Other payables		173	145
Short-term debt		33.444	25.824
Debt		33.444	25.824
Liabilities and equity		39.285	30.264
Subsequent events	1		
Distribution of profit	9		
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Statement of Changes in Equity

	<u>Share capital</u> TDKK	<u>Retained earnings</u> TDKK	<u>Total</u> TDKK
Equity at 1 January	25	3.797	3.822
Net profit/loss for the year	0	1.244	1.244
Equity at 31 December	25	5.041	5.066

Notes to the Financial Statements

1 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

	2017 TUSD	2016 TUSD
2 Staff expenses		
Wages and salaries	1.390	702
Pensions	45	31
Other social security expenses	8	5
Other staff expenses	4	4
	<u>1.447</u>	<u>742</u>
Including remuneration to the Executive Board of:		
Executive Board	100	100
	<u>100</u>	<u>100</u>
Average number of employees	<u>10</u>	<u>7</u>

Remuneration to the Executive Board:

The remuneration paid to Executive Board in 2017 is made in other Group companies. Amounts allocated for Executive Board functions in the Company are USD 100k, for the financial year 2017.

3 Depreciation, amortisation and impairment of intangible assets and property, plant and equipment

Depreciation of property, plant and equipment	356	184
Gain and loss on disposal	-56	-3
	<u>300</u>	<u>181</u>

4 Financial income

Other financial income	1.301	0
Exchange gains	95	70
	<u>1.396</u>	<u>70</u>

Notes to the Financial Statements

5 Financial expenses

Interest paid to group enterprises	714	352
Other financial expenses	22	66
Exchange loss	319	22
	<u>1.055</u>	<u>440</u>

6 Tax on profit/loss for the year

Current tax for the year	78	314
Deferred tax for the year	309	377
	<u>387</u>	<u>691</u>

7 Property, plant and equipment

	Other fixtures and fittings, tools and equipment
	<u>TDKK</u>
Cost at 1 January	7.259
Additions for the year	803
Disposals for the year	<u>-493</u>
Cost at 31 December	<u>7.569</u>
Impairment losses and depreciation at 1 January	221
Depreciation for the year	356
Impairment and depreciation of sold assets for the year	<u>-56</u>
Impairment losses and depreciation at 31 December	<u>521</u>
Carrying amount at 31 December	<u>7.048</u>

Notes to the Financial Statements

8 Prepayments

Prepayments consist of prepaid expenses concerning event and insurance costs paid in advance for subsequent years.

	2017 TUSD	2016 TUSD
9 Distribution of profit		
Retained earnings	1.244	2.404
	<u>1.244</u>	<u>2.404</u>

10 Provision for deferred tax

Provision for deferred tax at 1 January	-152	-74
Amounts recognised in the income statement for the year	309	377
Amounts recognised in equity for the year	0	-455
Provision for deferred tax at 31 December	<u>157</u>	<u>-152</u>

11 Other provisions

Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

Other provisions	618	618
	<u>618</u>	<u>618</u>

Notes to the Financial Statements

12 Contingent assets, liabilities and other financial obligations

Charges and security

The Company has pledged floating charge in fixed assets, inventories, and receivables as security for bank debt, as well as group companies' bank commitments.

Guarantee obligations

TP Aerospace PRO A/S has provided a guarantee for the Parent Companies TP Aerospace Holding A/S and TPA Holding I A/S' bank debt.

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc for the Danish companies within the TP Aerospace Group. The total amount of corporation tax payable is disclosed in the Annual Report of TP Aerospace Holding A/S for the period 1 Januar 2017 - 26 April 2017 and CC Green Wall Invest ApS for the period 27 April 2017 - 31 December 2017, which are the management companies of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

13 Related parties

Basis

Controlling interest

CataCap I K/S, Copenhagen	Ultimate capital owner, 39 %
TP Aerospace Holding A/S, Hvidovre	Capital owner, 100 %

CataCap I K/S ultimately controls the majority of the votes in the Group, due to specific rights in the ownership agreement between the parties.

Transactions

All transactions with related parties have occurred on normal market conditions in the financial year 2017.

Consolidated Financial Statements

Name and registered office of the Parents preparing consolidated financial statements for the smallest and largest group:

Name	Place of registered office
TPA Holding I A/S	Hvidovre

The Group Annual Report of TPA Holding I A/S may be obtained at the following address:

TPA Holding I A/S
Stamholmen 165 rst.
DK-2650 Hvidovre
Danmark

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of TP Aerospace PRO ApS for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2017 are presented in TUSD. The exchange rate is 6,20 as of 31 December 2017 and 7,05 as of 31 December 2016.

Cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act and to the cash flow statement included in the consolidated financial statements of TPA Holding I A/S, the Company has not prepared a cash flow statement.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Notes to the Financial Statements

14 Accounting Policies (continued)

Critical accounting judgements, estimates and assumptions

In the application of the Company's accounting policies, Management is required to make accounting judgements, estimates and assumptions that are not readily apparent from other sources in order to serve as the basis for the preparation of the financial statements. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimate is changed if the change affects only that period, or in the period of the change and future periods if the change affects both current and future periods. In particular, the accounting judgements, estimates and assumptions relate to the following matters:

- Revenue related to programs are recognised as a service exclusive of the value of the core assets that are exchanged during delivery within the program as they are considered exchange of assets of similar nature and value. Cost of the delivered core asset is transferred for recognition as cost of the core asset received. Costs related to maintenance, repair and overhaul (MRO) of the goods delivered are expensed on delivery.
- For goods to be included in programs, the allocation of total cost between the core element and the MRO element, respectively, is determined at the first exchange based on an estimate.
- The sales value of the CFR programs is recognised concurrently with the customer's use of the asset delivered (per cycle). Cost of goods sold related to CFR programs are expensed over the expected average period until the next exchange calculated for wheels and brakes in all CFR programs, respectively.
- Inventories are recognised at cost less write-down to net realisable value in case of impairment. The estimate of the required write-downs is made on the basis of an assessment of the individual characteristics and historical sales patterns for the inventories in the perspective of a value loss over time. In addition, further write-downs are made to the extent that impairment is indicated specifically.
- Lending of assets included in the programs by customers (mutual pool) occasionally occur in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions for such restoration liabilities include an amount counterbalancing the expected expenses. The amount is based on an estimate.

Notes to the Financial Statements

14 Accounting Policies (continued)

Leases

All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue related to sale and lease out of aircraft parts is recognized in revenue when delivery is made and risk has passed to the buyer. Revenue related to the programs are recognised exclusive of the value of the core assets that are exchanged during delivery within the program. Revenue therefore consist of revenue generated from maintenance, repair and overhaul and not exchange.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory write-downs. Such costs include an amount counterbalancing, if any, the restoration liability on asset lend by customers (mutual pool) in connection with CFR program activities, based on an estimate of the expected expenses. For programs, cost of the delivered core asset is transferred for recognition as cost of the core asset received

Notes to the Financial Statements

14 Accounting Policies (continued)

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses comprises interest, including interest income, expenses and charges on receivables and payables from group enterprises, net capital gains and losses on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with their Danish parent company. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Notes to the Financial Statements

14 Accounting Policies (continued)

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	20 years
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Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Inventories

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Notes to the Financial Statements

14 Accounting Policies (continued)

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Provisions

Lending of assets included in the programs by customers (mutual pool) occasionally in connection with the CFR program activities. In case that these programs end, the Company must return similar assets in the same condition as when the lending took place. The provisions include an amount counterbalancing the restoration liability based on an estimate of the expected expenses. The liability is recognised during the application period of the lend assets.

The provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

14 Accounting Policies (continued)

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years.

Financial Highlights

Explanation of financial ratios

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Profit margin	$\frac{\text{Profit before financials} \times 100}{\text{Revenue}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$